

Message Text

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ACTION TRSE-00

INFO OCT-01 NEA-06 ISO-00 SSO-00 EB-04 SS-15 SP-02 INR-05

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FM AMCONSUL JERUSALEM

TO SECSTATE WASHDC IMMEDIATE 6199

INFO AMEMBASSY TEL AVIV

C O N F I D E N T I A L SECTION 1 OF 2 JERUSALEM 1896

DEPARTMENT PLEASE PASS TREASURY FOR SECRETARY SIMON
FROM PARSKY

E.O. 11652: GDS

TAGS: EGEN, IS, US

SUBJ: US-ISRAEL SUBCOMMITTEE MEETINGS: DISCUSSIONS
WITH MINISTERS RABINOWITZ, ALLON AND PERES

WE HAVE HELD OUR FIRST SESSIONS OF THE WORKING GROUPS
AND I HAVE HAD LENGTHY INDIVIDUAL DISCUSSIONS WITH
MINISTERS RABINOWITZ, ALLON AND PERES. I FEEL THAT BY
THE CONCLUSION OF THIS VISIT AND RETURN TO WASHINGTON,
WE WILL BE IN A POSITION TO HAVE A NUMBER OF
POSITIVE ANNOUNCEMENTS AT THE RABINOWITZ MEETING WITH
YOU ON NOVEMBER 18-19. THE AREAS WOULD INCLUDE THE
FOLLOWING:

1. ELIGIBILITY OF ISRAEL FOR AID OFFSHORE PROCURE-
MENT -- WHILE AT PRESENT ONLY LEAST DEVELOPED COUNTRIES
ARE ELIGIBLE, I THINK WE SHOULD BE ABLE TO EXTEND
ELIGIBILITY TO ISRAEL.

2. SUPPORT OF ISRAEL'S ELIGIBILITY FOR GSP UNDER
THE TRADE REFORM ACT.

3. OPIC PROGRAMS INCLUDING AGREEMENT TO PROVIDE
FINANCING THROUGH CONVERTIBLE SUBORDINATE DEBENTURES,
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DOUBLE COVERAGE WAR RISK INSURANCE, AND INCLUSION OF

ISRAEL IN TOPICS PUBLICATION.

4. EXIMBANK POLICY -- A POSITIVE POLICY STATEMENT
ON LENDING POLICY TOWARD ISRAEL WOULD BE MADE. AS YOU
KNOWN, I TALKED WITH BILL CASEY BEFORE I LEFT. I STATED

TO THE ISRAELIS THAT EXIM WOULD DEAL WITH
APPLICATIONS
ON A CASE-BY-CASE BASIS, BUT TO MINISTER RABINOWITZ
I INDICATED THAT WE MIGHT BE IN A POSITION TO STATE
THAT THE BANK COULD EXTEND AN ADDITIONAL \$50 MILLION
PER YEAR FOR THE NEXT TWO YEARS. THE ISRAELIS WOULD
LIKE THIS AND ALSO ASKED ABOUT EXIM FINANCING OF RTB
MATERIALS AND STORAGE FACILITIES. I SAID I WOULD RAISE
THIS ON RETURN TO WASHINGTON.

5. TAX TREATY -- LAST EVENING THERE WERE A GREAT
MANY UNRESOLVED ISSUES BUT AFTER MY DISCUSSION WITH
MINISTER RABINOWITZ THIS MORNING, I THINK THERE
ARE ONLY ONE OR TWO OPEN ITEMS AND I AM HOPEFUL WE
WILL BE IN A POSITION TO SIGN A TREATY ON NOV. 18-19.

6. U.S.- ISRAELI BUSINESS COUNCIL -- I
MET WITH THREE LEADERS OF THE ISRAELI BUSINESS
COMMUNITY AT THE AIRPORT ON ARRIVAL OCTOBER 19 AND
TOLD THEM THAT WE ARE PUTTING TOGETHER A HIGH-LEVEL
EXECUTIVE COMMITTEE. THE ISRAELIS ARE VERY ANXIOUS
TO HAVE SUCH AN EXECUTIVE COMMITTEE MEET DURING THE
SESSION WITH MINISTER RABINOWITZ. THE TIMING IS TIGHT
AND WE STILL HAVE SOME WORK TO DO TO GET SEVERAL
EXECUTIVES TO COMMIT TO SERVING ON THE COUNCIL.

7. SELECTED WAIVER FROM BUY-AMERICA PROVISIONS FOR
DEFENSE PURCHASES -- ALTHOUGH THIS MUST BE ON A
CASE-BY-CASE BASIS, I THINK WE CAN COME FORTH WITH A
POSITIVE STATEMENT.

8. PROGRAM FOR PURCHASE BY THE ISRAELIS OF RAW
MATERIALS FROM EXCESS GSA STOCKPILE.
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9. POSITIVE STATEMENT ABOUT U.S. GOVERNMENT
ASSISTANCE IN HELPING ISRAELIS TO SECURE RAW MATERIAL
SUPPLIES FROM U.S. COMPANIES.

OTHER ITEMS MAY ARISE TOMORROW AND THE NEXT DAY BUT I
FEEL THAT THE ABOVE PROVIDES A MEANINGFUL BASIS FOR THE
NOV. 18-19 SESSION. I WILL HAVE FURTHER

DISCUSSIONS ON A POTENTIAL U.S.-ISRAELI AGREEMENT ON OIL STORAGE OR SUPPLIES WHICH OF COURSE IS ANOTHER ITEM THEY WANT VERY MUCH. FURTHER, ALTHOUGH I HAVE NOT DISCUSSED IT IN DEPTH, THE DESALINIZATION PROJECT IS CERTAINLY ANOTHER POTENTIAL AND I THINK WE WOULD BE IN A POSITION TO MOVE ON IT IF YOU WANT.

I HAVE AGREED WITH AMBASSADOR KEATING TO LEAVE A MEMORANDUM FOR SECRETARY KISSINGER EXPLAINING THAT WE WILL PROBABLY BE IN A POSITION TO DO THESE THING ON NOV 18-19. IT IS CLEAR THAT MINISTER RABINOWITZ DOES NOT WANT TO COME TO THE U.S. UNLESS IT CAN BE A MEANINGFUL VISIT WITH SOLID ANNOUNCEMENTS.

NOTE BY OC/T: DISTRIBUTION COORDINATED WITH S/S-O:R.ELTZ

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C O N F I D E N T I A L SECTION 2 OF 2 JERUSALEM 1896

I WOULD SUMMARIZE THE INDIVIDUAL MEETINGS AS FOLLOWS:

MEETING WITH FINANCE MINISTER RABINOWITZ.

I EXTENDED AN INVITATION TO MINISTER RABINOWITZ FROM YOU FOR DINNER AT YOUR HOME ON NOV. 18 AND HE WAS DELIGHTED. AFTER REVIEWING THE WORK OF THE SUBCOMMITTEES AND DISCUSSING MOST OF THE ABOVE MENTIONED ITEMS, HE SAID THAT REAL PROGRESS CLEARLY HAD BEEN MADE AND THAT IF WE COULD WORK OUT DIFFERENCES IN A FEW

AREAS, THE NOV 18-19 DISCUSSIONS WITH YOU COULD PRODUCE AN AGREEMENT WHICH "WOULD REPRESENT A NEW DIMENSION IN U.S.-ISRAEL ECONOMIC RELATIONS." HE ADDED THAT THERE ARE TWO SUBJECTS OF GREAT IMPORTANCE WHICH HE WISHED TO MENTION ALTHOUGH THEY ARE PROBABLY OUTSIDE SUBCOMMITTEE TERMS OF REFERENCE. FIRST WAS ARAB BOYCOTT AND INCREASING RELUCTANCE OF CERTAIN U.S. FIRMS TO DO BUSINESS WITH ISRAEL. HE FELT THAT IT WAS IMPERATIVE THAT MORE EFFECTIVE MEASURES BE EMPLOYED AGAINST THIS TREND. I REPLIED THAT WE ARE VERY MUCH AWARE OF THE PROBLEM, ARE OPPOSED TO BOYCOTT AND HAVE BEEN WORKING TO REDUCE ITS IMPACT. WE BELIEVE THAT WE ARE MAKING PROGRESS. AT SAME TIME, THIS IS EXTREMELY COMPLEX MATTER AND WE MUST PROCEED WITH CAUTION. RABINOWITZ'S SECOND POINT WAS THAT GOI WILL SHORTLY SUBMIT ITS REQUEST FOR U.S. ASSISTANCE FOR NEXT FISCAL YEAR. ISRAEL'S DEFENSE AND OTHER IMPORT NEEDS WILL BE ENORMOUS OVER NEXT FEW

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YEARS AND SUBSTANTIAL AID WILL BE NECESSARY TO ASSIST ISRAEL THROUGH THIS ESPECIALLY DIFFICULT PERIOD.

WE HAD SOME PRELIMINARY DISCUSSIONS ABOUT THE BI-NATIONAL SCIENCE FOUNDATION WHICH WE WILL HAVE TO CONTINUE TO DISUCSS LATER IN THE WEEK. HE WAS NICE ENOUGH TO INVITE ME TO HIS HOME FOR DINNER ON FRIDAY EVENING AND I AM SURE WE WILL BE REVIEWING ALL ISSUES AT THAT TIME.

MEETING WITH FOREIGN MINISTER ALLON.

YOU HAVE A REAL FRIEND IN ALLON. SEVERAL TIMES HE COMMENTED HOW MUCH HE LIKES AND RESPECTS YOU. AFTER THE MEETING AMBASSADOR KEATING TOLD ME HOW MUCH ALLON PRAISED YOU AFTER HIS SEEING YOU HERE AND IN WASHINGTON. I BRIEFED ALLON ON THE WORK OF THE JOINT COMMITTEE AND ON OUR DOMESTIC ENERGY POLICIES AND OUR OUTLOOK FOR WORLD OIL SUPPLY. HE WAS VERY INTERESTED AND URGED THAT WE REACH SOME AGREEMENT ON PROVIDING ISRAEL WITH NECESSARY EMERGENCY OIL SUPPLY. WE DISCUSSED IN GREAT DETAIL THE ARAB BOYCOTT ISSUE. HE URGED THAT WE TAKE POSITIVE ACTION AGAINST THE BOYCOTT AND SAID WE SHOULD OFFER LEGISLATION. HE SUGGESTED THAT IF OUR ADMINISTRATION DID NOT ACT, THE CONGRESS MAY. I FRANKLY INTERPRETED THIS TO MEAN THAT THERE ARE AT LEAST A FEW SENATORS WHO ARE READY TO PROPOSE LEGISLATION IN THIS AREA AND WILL DO SO SOON AFTER THE ELECTION. I EMPHASIZED THE DELICACY OF THIS ISSUE AND THE POTENTIAL DANGER OF TAKING OVERT ACTION

THAT COULD CREATE A NEGATIVE REACTION AND BE COUNTER-PRODUCTIVE. HAVING TALKED TO COMMERCE DEPARTMENT AT LENGTH BEFORE I LEFT, I EXPRESSED SOME OPTIMISM ABOUT THE REACTIONS OF THE U.S. BUSINESS COMMUNITY TO THIS ISSUE. HE SAID HE APPRECIATED THIS BUT THAT HE WAS NOT AS OPTIMISTIC. AMBASSADOR KEATING SAID AFTERWARD THAT HE FELT THE ISSUE WAS HANDLED VERY WELL BUT IT IS SOMETHING THAT WE MUST BE VERY ALERT TO.

MEETING WITH DEFENSE MINISTER PERES.
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THE MEETING WAS JUST AS FASCINATING AS THE BRIEFING SESSION HE PROVIDED US THE LAST TIME WE WERE HERE. IN ADDITION TO PROVIDING ME WITH AN UPDATE OF ISRAEL'S DEFENSE NEEDS, HE RAISED SEVERAL AREAS THAT CUT ACROSS THE DEFENSE AND ECONOMIC AREA INCLUDING (1) INCREASED U.S.-ISRAELI COOPERATION IN R&D IN THE DEFENSE RELATED AREA; (2) PROVIDING TRAINING FOR ISRAELI PERSONNEL IN THE U.S. IN DEFENSE RELATED AREAS; (3) A TRIPARTITE ARRANGMENT AMONG THE U.S., IRAN AND ISRAEL IN THE ELECTRONICS AND CERTAIN INDUSTRIES (I.E., TO PROVIDE HELICOPTERS) (THIS ONE SURPRISED ME BUT HE KEPT EMPHASIZING IT); AND (4) COOPERATION IN THE CONSTRUCTION INDUSTRY, ESPECIALLY TO HELP WITH THE INFRASTRUCTURE IN ISRAEL. HE ASKED THAT I EXPRESS THESE PARTICULAR CONCERNS TO YOU AND I TOLD HIM I WOULD. I ALSO INDICATED THAT WITH RESPECT TO R&D AND THE CONSTRUCTION AREAS, SOME DISCUSSION HAD ALREADY TAKEN PLACE. WITH RESPECT TO THE OTHER TWO ITEMS, I SAID WE WOULD BE GLAD TO LOOK INTO IT. HE MADE OTHER OBSERVATIONS ABOUT THE INTERRELATIONSHIP BETWEEN ISRAEL AND ITS DEFENSE NEEDS, THE SOVIET UNION AND OTHER MIDDLE EASTERN COUNTRIES WHICH I WILL TALK TO YOU ON RETURN.
DAY

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